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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Diane Todd Sprague, Director

A handwritten signature in black ink, appearing to read "DTS", with a long horizontal stroke extending to the right.

DATE: December 17, 2005

SUBJECT: Educational Loan Notes

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### **2004 MIDDLE/HIGH SCHOOL COUNSELOR VIDEO CONFERENCE: FOCUSING ON STUDENT FINANCIAL AID**

On November 19, 2004, 18 colleges and universities and two public school districts throughout Michigan were host sites for the middle/high school counselor workshop focusing on student financial aid. In its fourth year as a video conference, an estimated 850 high school counselors and 200 middle school counselors gathered at the host sites to hear updates on state and federal student financial aid programs. The videoconference was held at the WKAR public television studio, broadcast from the campus of Michigan State University. The Michigan Student Financial Aid Association (MSFAA) and the Michigan Guaranty Agency, Bureau of Student Financial Services, co-sponsored the event.

High school counselors received an update of state programs from the Office of Scholarships and Grants, the Michigan Guaranty Agency, and the Michigan Education Trust (MET) and Michigan Education Savings Program (MESP). Presenting on behalf of the state programs were: Anne Wohlfert, Stephanie Bogard, Robin McMillan, and Jennifer Wallace. MSFAA member Judy Florian, Director of Student Financial Aid at Macomb Community College, gave the federal programs update. Pam Horne, Director of Admissions at Michigan State University, provided the counselors with clarification on revisions to the SAT and ACT. In addition, the counselors heard from Bryan Taylor, President of the Partnership for Learning, announcing the College Goal Sunday program to be held throughout the state on Sunday, February 13, 2005. This program is intended to provide a concentrated effort of assisting students and families in completing the Free Application for Federal Student Aid (FAFSA). Look for more information about College Goal Sunday in the January issue of *Educational Loan Notes*.

The middle school counselor portion of the videoconference focused on early awareness of planning for college costs. Sheree Price from the Department of Labor and Economic Development, Postsecondary Education, informed counselors of the Gaining Early

Awareness and Readiness for Undergraduate Programs (GEAR UP) grant focusing on three public schools in Michigan, as well as how to apply for this federal grant. Two early awareness programs aimed at middle school students and their parents were presented by MSFAA members Becky Powell, Director of Financial Aid at Montcalm Community College, and Jim Owens, Financial Aid Advisor at Lansing Community College.

Throughout the conference presentations, counselors were able to call and fax in their questions. Questions were responded to after each presentation. A compilation of these questions and answers will be available on the [michigan.gov/mistudentaid](http://michigan.gov/mistudentaid) Web site by the end of December 2004. School counselors who were not able to attend the videoconference and would like a video-taped copy of the conference may contact Peggy LaFleur at 800-642-5626, extension 38319, or via email at [laflaurp@michigan.gov](mailto:laflaurp@michigan.gov), or Patty Hill at extension 36051 or via email at [hillpl@michigan.gov](mailto:hillpl@michigan.gov).

### **TAX BREAKS FOR EDUCATION**

Following is an overview of the tax breaks available for 2004. Details on each topic are in IRS Publication 970 – the topic links go to the related chapter.

**Tax-Free Benefits** – Certain payments or special programs' distributions are free of tax when used for qualifying educational expenses. Such expenses cannot duplicate one another or be used to claim education credits or deductions.

- [Scholarships, fellowships, etc.](#) – Generally tax-free when used to pay qualified expenses for degree candidates at eligible schools.
- [Coverdell Education Savings Account \(ESA\)](#) – Distributions that don't exceed the beneficiary's qualified education expenses are not taxed. Unlike the items listed below, primary or secondary school expenses are eligible for ESA benefits. The beneficiary must be under age 18 when an ESA contribution is made; the annual contribution limit is \$2,000 and is reduced if the contributor's income is between \$95,000

*(Continued on the next page.)*

and \$110,000 (\$190,000 and \$220,000, joint return).

- [Qualified Tuition Program](#) – Distributions from state- or educational institution-sponsored programs are not taxed to the extent used for qualified education expenses.
- [Education Savings Bonds](#) – Interest on qualified U.S. Savings Bonds is tax-free if proceeds are used to pay qualified education expenses and income is under \$59,850 (\$89,750, joint return). The exclusion phases out as income rises to \$74,850 (\$119,750, joint return).
- [Employer-provided educational assistance](#) – Employers may give up to \$5,250 in tax-free benefits each year; courses do not have to be work-related.
- [Cancelled student loan](#) – Although a cancelled debt is usually taxable, a student loan may not be if the cancellation depends on you working for a certain time in a specified occupation for a section 501(c)(3) organization.

**Education Credits** – Reduce your tax, not just your income. You may claim only one of these credits for the same student in the same tax year. The credits phase out as income rises from \$42,000 to \$52,000 (\$85,000 to \$105,000, joint return).

- [Hope Credit](#) – Applies only for the first two years of higher education and can be worth up to \$1,500 per eligible student, per year.
- [Lifetime Learning Credit](#) – Applies to most higher education, including non-degree courses, with a maximum credit of \$2,000 per return (regardless of the number of qualifying students).

**Tax Deductions** – Lower your taxable income with these breaks:

- [Tuition and Fees Deduction](#) – For a student for whom no education credit is claimed. Qualifying expenses must not have been paid with any other tax-free benefit. A maximum deduction of \$4,000 if taxpayer's income does not exceed \$65,000 (\$130,000, joint return); \$2,000 maximum if income is between \$65,000 and \$80,000 (\$130,000 and \$160,000, joint return).

- [Deduction for work-related education](#) – Claim costs of education required to keep your job or to maintain or improve skills needed in your present work, but not if the education is needed to meet the minimum requirements of your position or is part of a program to qualify you for a new trade or business.
- [Student loan interest deduction](#) – Maximum deduction of \$2,500 for interest paid on qualified student loans. Phases out as income rises from \$50,000 to \$65,000 (\$100,000 to \$130,000, joint return).

**Tax Exception** – The additional 10 percent tax on an [early distribution from an IRA](#) does not apply up to the amount of qualified education expenses. (The regular income tax still applies to any taxable IRA distribution.)

**Related Item** – Publication 970, Tax Benefits for Education ([PDF 368K](#)) ([online version](#)).

*Note: The preceding information was reprinted from the [IRS.gov](#) Web site.*

### LATE DISBURSEMENT PROCEDURES

Additional information concerning late disbursement procedures has become available since the printing of the manuals for MGA's November 17 and 18, 2004, workshops. Please add the following information to the Policy and Regulatory update section in your Student Loan Workshop manual, page 20.

At the U.S. Department of Education's (ED) Electronic Access Conference held in Orlando, Florida, November 1-4, 2004, ED officials announced revised procedures for schools to request permission to make late disbursements after the 120-day deadline. The procedures are now the same for all Title IV programs. The school must fax a request to the Common Origination and Disbursement (COD) School Relations Center, Late Disbursement Request, at 877-623-5082. If you are requesting permission to make a late disbursement of a Federal Family Education Loan Program (FFELP) loan or a Federal Direct Loan Program (FDLP) loan, the request must include:

*(Continued on the next page.)*

1. School's name and OPE ID.
2. Contact person's name, title, phone and fax numbers, and email address.
3. Name and Social Security Number (SSN) of the student (and name and SSN of the parent for PLUS).
4. Type and amounts of Title IV aid to be disbursed.
5. An explanation of why the disbursement was not made, including why it was not the student's fault.
6. The type of loan (Stafford subsidized, unsubsidized, or PLUS).
7. The date the loan was certified or originated.
8. The loan period begin and end dates.
9. Whether the student completed the loan period.
10. If the student did not complete the loan period, the date the student ceased to be enrolled at least half-time.
11. Whether the requested disbursement is the first disbursement of the loan or a second or subsequent disbursement.
12. The lender's name, for FFELP.
13. Award ID, for FDLP.

Email requests are not permitted because ED considers email to be an insecure format for transmitting SSNs. ED will notify the school contact person of the outcome of the request via email.

### **DDI UPGRADE**

DocumentDirect for the Internet (DDI) has been upgraded to Version 1.3 effective December 11, 2004. Version 1.3 is a minor upgrade, and the look and feel of the product will essentially remain the same. The following new features have been added:

A new "GO TO" icon found on the right side of the report window will take you directly to a selected page within a document. You will not have to use the "Previous Page" or "Next Page" icons. DDI will contain easier-to-understand user/error messages.

Before being able to print from the new version of DDI, you will need to install a new high resolution print driver. Depending on your Internet Options setting, this installation may occur automatically the first time you print. If you are prompted to install the driver, select

"yes" or you will not be able to print. Please contact your computer technology department if you have any questions about installing the print driver.

If you have any questions or concerns about accommodating these changes, please contact Electronic Services at 800-348-4606. For general questions, contact Flora Boles via email at [bolesf@michigan.gov](mailto:bolesf@michigan.gov), or call her at extension 52882.

### **OPENNET ENHANCEMENTS FOR SCHOOLS**

The following enhancements have been made to OpenNet effective November 22, 2004.

**Custom Reporting** – Schools that have loans disbursed by Sallie Mae's Lender Funds Management (LFM) services are now able to run larger reports more conveniently. If the user would like to retrieve more than 8,000 records, an email notification option may be selected. With this option an email notice will be sent to the user with a confirmation number once the report has been completed. The user's reports will only be retained for **one** business day. There is a maximum of 50 results per page.

School personnel may download the report detail in a file, with the option of using comma-separated values (CSV) or Excel format. The CSV format is preferred for large data sets and is importable directly into Excel.

Additional display and exportable fields have been added for school users. The following fields have been added for display and export:

- Signature type
- Student driver's license state
- Student driver's license number
- Borrower permanent home phone number
- Borrower driver's license state
- Borrower driver's license number
- Borrower date of birth
- Borrower citizenship – values are "yes" or "no"
- Alien ID – only applicable if citizenship equals "NO"
- Loan request received date
- Disbursement date

*(Continued on the next page.)*

**Application Tracking and Loan Detail** – A link has been added to allow schools to view application tracking and loan activity. A new page accessible from the Application/Loan Details page contains the following data (applicable FFELP loans only):

- Application Tracking/Full Circuit
- Most recent print/mail date
- Print destination
- Address type
- Current mailing address
- Reprint requested
- Full Circuit first, second, and third follow-up letter dates

#### **Loan Activity**

- Activity date
- Action/activity

**Decrease Application Processing Pages for Borrower** – This enhancement will modify the application processing flow for loans that are guaranteed and awaiting borrower information for both the Federal Stafford MPN and the Federal PLUS MPN. This will eliminate some of the pages borrowers have to navigate in order to finish a *school-initiated* application.

If the school is profiled for Student Loan Counseling, those pages will continue to be displayed in the borrower navigation flow if it meets the profile criteria.

**Replication Phase II** – Replication will be available for all customer types. This will allow customers to see that OpenNet File Management Service sent copies of the same file to different Destination IDs. Schools will need to request source replication. This will allow schools that use different servicers to be able to receive duplicate copies of response files.

**Warning Edits** – Warning edits will be available for OpenNet File Management Service (FMS) customers. These edits will alert customers that certain data combinations violate standard business rules. OpenNet FMS customers who are subscribed to Standard Edits will have the option to request that Warning Edits be added to their profile subscription. The warning edits are:

- Grade level 1 and combined loan amount is greater than \$2,625 for combined Federal Stafford loans.

- Grade level 2 and combined loan amount is greater than \$3,500 for combined Federal Stafford loans.
- Grade level 3, 4, or 5 and combined loan amount is greater than \$5,500 for combined Federal Stafford loans.
- Grade level A-D and combined loan amount is greater than \$18,500 for combined Federal Stafford loans.
- Borrower is less than 16 years old for any loan.
- For PLUS loans, the borrower's age is less than or equal to the student's age.
- Only one disbursement date exists.

**OpenNet Single Sign-On** – *This will affect Laureate users only.* Internal security changes will be made by integrating Web Loan Delivery (WLD) and FMS to utilize the same security profile database. Current users and new user types: school servicers, guarantors, and guarantor servicers, will be able to maintain and establish new users. This will link Laureate sign-on to OpenNet, which will eliminate Laureate users from having to log on twice.

If you have any technical questions regarding these enhancements, please contact Electronic Services at 800-348-4604. If you have general questions, please call Flora Boles at extension 52882 or via email at [bolesf@michigan.gov](mailto:bolesf@michigan.gov).

Please note: OpenNet allows MGA customers to view guarantee and loan summary history, as well as update status changes on student loans. In addition, schools can create custom reports as well as view online loan application activity.

#### **SCHOOLS – FORM 1098-T REPORTING**

This is a reminder to schools that they are required by federal law to report the educational expenses paid by borrowers to the Internal Revenue Service (IRS) by February 28, 2005 (March 31, 2005, if filed electronically; schools with more than 250 students must file electronically). ***This reporting must include a statement to the borrower by January 31, 2005.*** Schools must report borrower educational expenses (tuition, fees, etc.) on form 1098-T. A copy of form 1098-T may be accessed at <http://www.irs.gov/pub/irs-pdf/f1098t.pdf>.

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Effective for the 2004 tax year schools must complete all fields of IRS Form 1098-T. Eligible educational institutions must file for each enrolled student and for whomever a reportable transaction is made. Qualified education expenses are the total costs of attending school including: tuition and fees, room and board, books, supplies and equipment, and other necessary expenses.

In addition reimbursement or refunds of qualified tuition and related expenses must be reported. The following two items are **new** for 2004 reporting:

- **Service provider's information** – The box to include optional information on a third-party service provider and account number has been enlarged and moved to the space above the student's name.
- **Information contact** – The telephone number provided by the institution must be for the information contact at the institution and not the institution's general telephone number.

The 2004 IRS General Instructions for Forms 1099, 1098, 5498, and W-2G include information about items that should be noted:

- Magnetic media and electronic reporting requirements
- Penalties
- Who must file (middleman/servicer)
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

Schools are **not** required to file Form 1098-T or furnish a statement for:

- Courses for which no academic credit is offered, even if the student is otherwise enrolled in a degree program;
- Non-resident alien students, unless requested by the student;
- Students whose qualified tuition and related expenses are entirely waived or paid entirely with scholarships; and
- Students whose qualified tuition and related expenses are covered by a formal billing arrangement between an institution and the student's employer or a governmental entity such as the Department of Veterans Affairs or the Department of Defense.

Schools should note that penalties may be imposed for failure to file or failure to furnish correct 1098-T forms. These penalties may be waived, however, under certain circumstances. Please see the 2004 General Instructions for Forms 1098 for more information.

Instructions and additional information regarding form 1098-T are available on the IRS Web site at: <http://www.irs.gov/instructions/i1098et/ar01.html#d0e136>. For questions regarding form 1098-T schools should contact Flora Boles at extension 52882 or via email at [bolesf@michigan.gov](mailto:bolesf@michigan.gov).

### **TEACHER LOAN FORGIVENESS PROVISIONS OF H.R. 5186**

ED recently published Dear Colleague Letter (DCL) [GEN-04-14](#) which provides information on the Taxpayer-Teacher Protection Act (H.R. 5186) of 2004. H.R. 5186 authorizes up to \$17,500 in loan forgiveness for elementary and secondary school teachers who meet certain criteria under FFELP. To access the DCL go to [www.ifap.ed.gov](http://www.ifap.ed.gov) and click on "General Distribution Letters."

For questions regarding FFELP loan forgiveness programs please contact Beverly Bristol at extension 39976 or via email at [bristolb@michigan.gov](mailto:bristolb@michigan.gov).

### **LENDER DUE DILIGENCE 45-DAY GAP RULE**

ED recently published Dear Partner Letter FP-04-08. This letter reminds FFELP lenders that they may not permit a gap of more than 45 days between certain required collection activities, including the final demand letter. Further clarification on FP-04-08 is available at the following Web address: <http://ifap.ed.gov/dpcletters/FP0408.html>.

If you have additional questions concerning the 45-day gap rule, please contact Tom Montgomery in MGA's Claim Review Unit, at extension 36622.

### **OPENNET ENHANCEMENT FOR LENDERS AND LENDER SERVICERS**

OpenNet has been enhanced to provide lenders and lender servicers access to the Custom Reporting Service. This enhancement now allows OpenNet users not only to view loan status information, but also to create custom reports based upon your particular needs.

The enhancement allows you to create a new report, run an existing report, modify an existing report, perform a quick search, or view advance report management options. It also allows you to request an email notification when the report is completed.

To activate this new feature, your agency's OpenNet administrator should click on the "Administration" tab within the "Lender Main Menu," then click on "Enable/Disable Custom Reporting Service." To grant rights for other OpenNet users in your office to access the Custom Reporting Service, return to the "Administration" tab and click on "Maintain Users" to add the Custom Reporting Service for these users.

If you have any questions regarding accessing or generating custom reports, please contact Sallie Mae's Electronic Services at 800-348-4606.

**If you are not an OpenNet user and would like access to this service, please complete and return the attached set-up form via fax to Betty Calloway's attention at (517) 335-5983 or via email to [callowayb@michigan.gov](mailto:callowayb@michigan.gov).** For any additional information regarding OpenNet, please contact Betty at extension 39639.

### **2005 PLUS/SLS VARIABLE INTEREST RATE "91-DAY TREASURY BILL" METHOD**

Attached to this issue of *Educational Loan Notes* is a memo recently released by ED that announces a PLUS/SLS variable interest rate of 5.05 percent (1.30% [the 91-day T-bill average] + 3.75%) for the 2005 calendar year. This rate applies only to those PLUS/SLS promissory notes that provide for a calendar year adjustment based on the "91-day Treasury Bill" method.

If you have questions regarding this matter please contact Betty Calloway at extension 39639 or via email at [callowayb@michigan.gov](mailto:callowayb@michigan.gov).

### **LENDERS – FORM 1098-E REPORTING**

Federal law requires lenders and lender servicers to report on Form 1098-E student loan interest paid of \$600 or more to the IRS by February 28, 2005 (March 31, 2005, if filed electronically). If you are required to file Form 1098-E, you must provide a statement or acceptable substitute, on paper or electronically, to the borrower. The IRS recently issued the 2004 version of Publication 970 which provides information on the student loan interest deduction. The entire publication may be accessed at <http://www.irs.gov/pub/irs-pdf/p970.pdf>. The section that relates to student loan interest deduction begins on page 25 of the publication.

#### **Items to note:**

- For loans made on or after September 1, 2004, loan origination fees and capitalized interest **must** be included in the amount reported in Box 1.
- Lenders and lender servicers are required to file magnetically or electronically if filing 250 or more returns. For more information, see **Magnetic Media/Electronic Reporting** in the 2004 General Instructions for Form 1098-E.
- Penalties may be imposed for failure to file or failure to furnish correct 1098-E forms. However, penalties may be waived under certain circumstances. See the 2004 General Instructions for Form 1098-E for more information.

To receive additional information and instructions regarding Form 1098-E, go to <http://www.irs.gov/pub/irs-pdf/i1098et.pdf>. If you have any questions please contact Betty Calloway at extension 39639 or via email at [callowayb@michigan.gov](mailto:callowayb@michigan.gov).



**“ED” PIPELINE**

Following is a list of some of the most recent ED correspondence for schools and lenders.

**Dear Partner**  
**November 2004**  
**FP-04-08**

This letter reminds FFELP lenders and guaranty agencies of the regulatory requirement that a lender may not permit a gap of more than 45 days between certain required collection activities, including the final demand letter.

**Dear Partner**  
**November 2004**  
**GEN-04-03 Revised**

This letter provides additional guidance on the application of the Return of Title IV Aid requirements. The subjects addressed in this letter are:

- Title IV credit balance
- Title IV aid that could have been disbursed
- Verification not completed before withdrawal
- Treatment of a student who fails to receive a passing grade in any class
- Percentage of Title IV aid earned for withdrawal from a credit-hour nonterm program
- Date of the institution's determination that the student withdrew – institutions that are required to take attendance
- Treatment of LEAP funds

**Dear Partner**  
**November 2004**  
**GEN-04-12**

This letter announces a change to guidance that was provided in Dear Colleague Letter GEN-04-03 on the application of the Return of Title IV Aid requirements for schools that are required to take attendance.

**Dear Partner**  
**December 2004**  
**GEN-04-13**

This letter informs schools that additional copies of the 2004-2005 FAFSA will become available in December, and requests assistance in reducing the use of paper FAFSAs as electronic filing increases.

**LENDER LIST UPDATES**

School personnel should record the following actions on the “Participating Lender List” dated October 25, 2004. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact Pat Fromm at extension 36076.

**Name Change**

**Fleet Education Financing, 831495**, has changed its name to Bank of America, N.A. The address and telephone number remain the same.

**Address and Telephone Number Change**

**Charter One Bank, 807745**, c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596, 800-874-3150.

**SCHOOL LIST UPDATES**

The following changes should be recorded by lenders on MGA’s “Active Michigan School List” dated August 4, 2004. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

**Contact Name Change**

**North Central Michigan College, Petoskey, 002299-00**

Delete Sharron Hemme. Virginia Panoff is the new Director of Financial Aid. Virginia’s telephone number is 231-348-6698, and her email address is [vpno@ncmc.edu](mailto:vpno@ncmc.edu).



**“Q” AND “A”****LOAN LIMITS PART I – ANNUAL LOAN LIMITS**

*Information for this article was taken from the Common Manual, Chapter 6, Section 11.*

There are two types of loan limits a school must take into consideration before certifying any new Stafford loan amounts:

1. The **Stafford Annual Loan Limit** refers to the amount a student may borrow for each academic year.
2. The **Stafford Aggregate Loan Limit** refers to the amount a student may borrow based on previously borrowed outstanding loan amounts.

In this issue we will be looking at the Stafford Annual Loan Limits. January's *Educational Loan Notes* "Q" and "A" will contain a discussion on the Stafford Aggregate Loan Limits.

**What determines the annual loan limit?**

A student's annual loan limit is determined by several factors including the student's enrollment status (undergraduate, graduate, or professional program), the student's dependency status, the year of study in which the student is enrolled (first, second, third, fourth, or subsequent year), and the length of the undergraduate program.

**What is the annual loan limit for a student borrower if the student will be enrolled for the entire academic year?**

When the student is enrolled in a program of study that is at least a full academic year in length, the annual loan limits are as follows:

**First Year Undergraduates**

Base eligibility (subsidized or unsubsidized): \$ 2,625  
Additional unsubsidized eligibility: \$ 4,000

**Second Year Undergraduates**

Base eligibility (subsidized or unsubsidized): \$ 3,500  
Additional unsubsidized eligibility: \$ 4,000

**Third, Fourth, and Fifth Year Undergraduates**

Base eligibility (subsidized or unsubsidized): \$ 5,500  
Additional unsubsidized eligibility: \$ 5,000

**Graduate and Professional Students**

Base eligibility (subsidized or unsubsidized): \$ 8,500  
Additional unsubsidized eligibility: \$10,000

**What if the program for which the student is enrolled is less than a full academic year or the student has less than a full academic year remaining in his or her program?**

There are two proration calculations that must be used when a student is enrolled in either:

- A one-year program of study with less than a full academic year remaining, or
- A program of study of less than one academic year.

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The calculations are as follows:

One-year program of study with less than a full academic year remaining:  $\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in academic year}}$

Program of study of less than one academic year:  $\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in academic year}}$

**Or**

$\frac{\text{Number of weeks in program}}{\text{Number of weeks in academic year}}$

**Note:** Loan proration is not required for a student completing coursework necessary for a professional credential or certification from a state, or for a student completing preparatory coursework necessary for admission into either an undergraduate or a graduate program of study.

### **What amounts or loans are included in annual loan limits?**

Any and all outstanding principal balances are used to determine annual loan limits. The Stafford annual loan limit does not include the amount of capitalized interest or any collection costs that may have been added to the principal balance of the borrower's prior loans. The school **must** retain any and all documentation that separates capitalized interest from the outstanding principal balances.

### **Who can help us determine the correct outstanding principal balance on previously received Stafford loans?**

The borrower, school, and lender should work closely with the guarantor to provide and update information about the borrower's unpaid principal balances.

### **Are there any programs for which a borrower can exceed their annual loan limit?**

Yes, increased annual loan limits are authorized for certain health profession students, including Dentistry programs, Veterinary medicine programs, Optometry programs, Pharmacy programs, and several other health professional programs. See Common Manual Chapter 6, Section 6.11.C, for an entire list and qualifications for this exception.

### **What happens if a student inadvertently exceeds their maximum annual loan limit?**

If a Stafford borrower inadvertently exceeds an annual loan limit, the borrower will not be eligible for any additional Title IV funds until one of the following occurs:

1. The borrower authorizes the school to adjust the excess loan amounts or reallocates funds between subsidized and unsubsidized Stafford loans for which the borrower is eligible.
2. The borrower repays in full the excess loan amount.
3. The borrower makes arrangements satisfactory to the holder of the loan to repay the excess loan amount.

Have a question you would like to ask? Contact Justin Draeger at extension 31940 or by email at [draegerj@michigan.gov](mailto:draegerj@michigan.gov) to submit your question or to suggest a topic you would like to see discussed in a subsequent issue of *Educational Loan Notes*.

# Calendar of Upcoming Events

## December

23-24 MGA Office Closed

30-31 MGA Office Closed

## January

11 Mapping Your Future Evening Chat  
FAFSA, financial aid, and careers.

17 MGA Office Closed

30-Feb. 2 MSFAA Winter Conference  
Sheraton Lansing Hotel  
Lansing, Michigan

## February

8 Mapping Your Future Daytime Chat  
FAFSA, financial aid, and careers.

8 Guaranty Agency Advisory Committee  
State Library and Museum  
Lansing, Michigan

21 MGA Office Closed

# *Season's Greetings*



# LOAN NOTES

## NOVEMBER 2004

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December 10, 2004

Subject: PLUS/SLS Variable Interest Rate for 2005 – "91-day Treasury Bill" Method

Dear Partner:

Due to the wording of the promissory notes, some loans are subject to a calendar-year adjustment of the variable interest rate, based on the "91-day Treasury Bill" method that existed in statute [section 427A(c)(4)] prior to enactment of the Higher Education Technical Amendments Act of 1987 (Pub. L. 100-50). The rate is equal to the "average of the 91-day Treasury Bills auctioned during the 12-month period ending November 30" plus 3.75 percent, not to exceed 12 percent.

Accordingly, we have determined that the variable interest rate for **calendar year 2005** is **5.05** percent [1.30% (the 91-day T-bill average) + 3.75%].

Please note that this rate applies only to PLUS/SLS promissory notes that provide for a calendar year adjustment based on the "91-day Treasury Bill" method.

Accounting Division  
Chief Financial Office

Attachment



<b>AUCTION DATE</b>	<b>BOND EQUIVALENT RATE</b>
<b>2003</b>	
12/1	0.943
12/8	0.915
12/15	0.903
12/22	0.884
12/29	0.901
<b>2004</b>	
1/5	0.939
1/12	0.887
1/20	0.891
1/26	0.907
2/2	0.939
2/9	0.939
2/17	0.931
2/23	0.947
3/1	0.957
3/8	0.945
3/15	0.961
3/22	0.945
3/29	0.961
4/5	0.945
4/12	0.929
4/19	0.949
4/26	0.985
5/3	1.001
5/10	1.078
5/17	1.058

<b>2004 (continued)</b>	
5/24	1.066
6/1	1.150
6/7	1.251
6/14	1.413
6/21	1.336
6/28	1.381
7/6	1.344
7/12	1.336
7/19	1.352
7/26	1.449
8/2	1.490
8/9	1.497
8/16	1.498
8/23	1.541
8/30	1.607
9/7	1.663
9/13	1.671
9/20	1.716
9/27	1.741
10/4	1.716
10/12	1.711
10/18	1.803
10/25	1.890
11/1	1.987
11/8	2.084
11/15	2.115
11/22	2.197
11/30	2.238
<b>TOTAL</b>	68.883
<b>AVERAGE: 1.30</b>	